

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2017-28-S, ORDER NO. 2018-

May __, 2018

IN RE:

Application of Synergy Utilities, LP for)	ORDER APPROVING ADJUSTMENT
Adjustment of Rates and Charges and)	IN RATES AND CHARGES AND
Modifications to Certain Terms and)	MODIFICATION OF TERMS
Conditions for the Provision of Sewer)	AND CONDITIONS
Service)	

I. INTRODUCTION

This matter comes before the Public Service Commission of South Carolina (the “Commission”) on the Application of Synergy Utilities, LP, (“Synergy” or “the Company”) for an increase in rates and charges for the provision of sewer service and the modification of certain terms and conditions related to the provision of such service. The Application was filed on December 1, 2017, pursuant to S.C. Code Ann. § 58-5-240 and S.C. Code Ann. Regs. 103-512.4A and 103-503, with a test year ending June 30, 2017.

By letter dated December 15, 2017, the Commission’s Docketing Department instructed Synergy to publish a prepared Revised Notice of Filing and Hearing and Pre-file Testimony Deadlines, one time, in newspapers of general circulation in the area affected by Synergy’s Application. A Revised Notice of Filing and Hearing and Pre-file Testimony Deadlines dated December 21, 2017 described the nature of the Application and advised all interested persons desiring to participate in the proceedings and hearing, scheduled for April 19, 2018, of the

manner and time in which to file appropriate pleadings for inclusion in the proceedings as a party of record. By letter dated December 21, 2017, the Commission's Docketing Department instructed Synergy to notify directly, by U.S. Mail, each customer affected by the Application by mailing each customer a copy of the Revised Notice of Filing and Hearing and Pre-filed Testimony Deadlines. On December 28, 2017, the Commissions docketing Department issued a revised Notice of filing and Hearing and Pre-file Testimony Deadlines. On January 5, 2018, the Applicant filed an Affidavit of Mailing certifying that it had complied with the instructions of the Commission's Docket Department. On January 10, 2018, the Company filed an Affidavit of Publication demonstrating that the Revised Notice of Filing and Hearing and Pre-file Testimony Deadlines had been duly published.

As reflected in the Revised Notice of Filing and Hearing and Pre-file Testimony Deadlines, the Company proposed new monthly sewer service rates for its two service territories for both its residential and commercial customers. By its Application, the rate sought by the Company would permit it the opportunity to earn an additional \$232,590 in annual revenues.

TESTIMONY RECEIVED FROM THE PARTIES AND PUBLIC WITNESSES

On March 16, 2018, the Company filed with the Commission the Direct Testimony from Keith G. Parnell and Donald H. Burkett in support of its Application.

Pursuant to S.C. Code Ann. § 58-4-10(B) (Supp. 2015), the South Carolina Office of Regulatory Staff ("ORS") is a party of record in this proceeding. ORS filed the Direct Testimony and Exhibits of its witnesses Matthew P. Schellinger II and Christina L. Seale with the Commission on April 2, 2018. The Company filed Rebuttal Testimony from its witness Parnell March 19, 2018. Surrebuttal Testimony and Exhibits of ORS witnesses

Schellinger and Seale were filed with the Commission on April 16, 2018. The Company filed Responsive Testimony of witness Parnell on April 17, 2018.

On January 22, 2018, the Commission issued a Notice of Public Night Hearing scheduled for April 12, 2018, in Orangeburg, S.C. On January 23, 2018, the Commission issued a Revised Transmittal letter instructing the Company to notify its customers that a public night hearing was scheduled for Orangeburg, S.C. A total of four customers of Synergy provided testimony at the night hearing. The public witnesses voiced general objections to the amount of the requested increase in rates, the cost of treatment service by the Orangeburg Department of Public Utilities and quality of service concerns. The sign-in sheets for the public night hearing were offered into the record as Exhibits #1.

The public merits hearing was held at the Commission's Hearing room on April 19, 2018, at 10:30 a.m. to receive testimony from the Parties and any public witnesses. The Honorable Swain Whitfield, Chairman of the Commission, presided. Synergy was represented by Scott Elliott, Esquire and Charles Cook, Esquire. ORS was represented by Florence Belser, Esquire and Andrew Bateman, Esquire.

A public witnesses testified in opposition to the rate application immediately prior to the start of the public merits hearing.

Synergy witnesses Parnell and Burkett testified at the hearing. Mr. Parnell's direct testimony, exhibit and rebuttal testimony were accepted into the record. Mr. Parnell testified on direct that he was the President and Operations manager for the Applicant and described Synergy's history; customer base and service territory; Synergy's application and need for rate relief; the proposed changes in the sewer rate schedules and changes to the terms and conditions of service; and capital improvements and extraordinary expenses contributing to the need for rate

relief. Mr. Burkett's direct testimony was accepted into the record. He testified on direct describing the application and the need for rate relief; the known and measurable pro forma adjustments made to the income statement; the partnership structure of the limited partnership and the impact of the Tax Cut and Jobs Act on Synergy's rate request. Mr. Parnell testified on rebuttal that Synergy accepted the rate design proposed by the ORS. He further testified that Synergy should neither be required to establish a sludge hauling tariff charge nor be required to have its sludge hauling contracts approved by the Commission. He set out Synergy's position on recovery of all rate case expenses through the date of the hearing and described Synergy's proposal to gross up contributions in aid of construction ("CIAC"). Mr. Parnell set out Synergy's objection to the ORS proposal for amortization of excess tax collection as impermissible retroactive rate making; and justified the recovery of merger costs as having provided a benefit to both the customers and the utility. Mr. Parnell also testified in response to the customer testimony at the public hearing in Orangeburg explaining the lengths to which he has gone to communicate with his Orangeburg customers; describing the Orangeburg Department of Public Utilities service and treatment charges; explaining the fact that the customers had no treatment alternatives; and describing his efforts to maintain and operate the sewer system in Orangeburg notwithstanding the damages caused the sewer system by the Orangeburg Department of Public Utilities as a part of its routine maintenance of the water, electric and gas systems in the community. Both Mr. Parnell and Burkett were presented for cross examination and questions from the Commission.

ORS witnesses Schellinger and Seale testified as a panel. Mr. Schellinger's direct testimony and exhibits and surrebuttal testimony were accepted into the record. He presented a summary of his testimony. In particular, Mr. Schellinger explained the ORS position with

respect to its review of Synergy's proposed changes to rates and terms and conditions of service. He described the ORS proposal to establish a single tariff rate design for Synergy. With respect to those proposed provisions with which ORS did not concur, Mr. Schellinger laid out ORS' proposal for Synergy to establish a minimum monthly charge, to require a rate for sludge disposal service, establish a minimum charge of the non-recurring, non-emergency service fee, and adjustments to reflect the impact of the Tax Cut and Jobs Act on the application. In addition, Mr. Schellinger testified to the ORS' objection to Synergy's recovery of merger expenses to include the recovery of legal expenses incurred by Synergy's real estate attorney and ORS' recommendation that Synergy establish a regulatory liability for the impact of the corporate tax reduction from the Tax Cut and Jobs Act.

Ms. Seale's direct and surrebuttal testimony and exhibits were accepted into the record. Ms. Seale presented a summary of her testimony. Ms. Seale testified to the ORS examination of the application and set out her findings and recommendation. In addition, Ms. Seale testified that the ORS was prepared to accept and audit rate case expenses through the date of the hearing in this matter.

II. FINDINGS OF FACT AND CONCLUSIONS OF LAW

A. BACKGROUND

Synergy is an investor-owned utility providing wastewater collection/treatment services. Synergy's South Carolina operations are classified by the National Association of Regulatory Utility Commissioners ("NARUC") as a Class A wastewater utility according to sewer revenues reported in its Application for the twelve (12) months ending June 30, 2017 ("Test Year").

The Commission-approved service area for Synergy includes portions of Fairfield,

Lexington, Orangeburg, and Richland counties. As of the end of the Test Year, ORS determined that Synergy was providing wastewater collection/treatment services to 862 residential and commercial customers.

Synergy operates a total of three (3) wastewater collection and treatment systems and three (3) wastewater collection-only systems for which it collects wastewater from its customers and transports the wastewater to another entity for treatment and disposal. Wastewater treatment and disposal is provided to Synergy collection-only customers by the towns of Winnsboro and Lexington and the Orangeburg Department of Public Utilities (“Orangeburg” or “DPU”).

A. SYNERGY’S APPLICATION

Synergy was formed as a result of the merger of utility assets of Midlands Utility, Inc. (“Midlands”) and Development Service, Incorporated. (“DSI”). By Commission Order No. 2017-49 in Docket No. 2016-348-S, Synergy was granted a Certificate of Public Convenience and Necessity to operate as a public utility. By Order No. 2017-49, the Commission found that the transfer of Midlands’ and DSI’s sewer facilities, territories and other utility assets to Synergy to be operated as a public utility was in the public interest. The Commission noted in its findings that certain real estate owned by Midlands would not transfer to Synergy. DSI and MUI customers will benefit from centralized operations, which will provide increased efficiencies for the company in dealing with vendors, contractors, and regulatory bodies. Order No. 2017-49 at pp. 4 – 5.

However, the rates for Synergy’s Midlands’ customers and DSI’s customers were not affected by Order No. 2017-49. In this Application, Synergy proposed to maintain separate rate schedules for its DSI and Midlands customers. Synergy proposed Service Territory 1 for the former customers of DSI and Service Territory 2 for the former customers of Midlands. The

current rate schedule for Midlands approved by Order No. 2005-168 and Order No. 2006-663 is on file with this Commission. The current rate schedule for DSI approved by Order No. 2015-460 is on file with this Commission.

The Company proposes a Test Year of July 1, 2016, to June 30, 2017. Synergy seeks to accomplish two primary goals in its Application: (1) increase its monthly sewer service revenues; and (2) revise certain tariff provisions including consolidation of the sewer service terms and conditions and non-recurring charges to apply to both Service Territory 1 and Service Territory 2 customers. The Company proposed a detailed schedule of rates and charges encompassing two territories as well as sewer collection and treatment and collection only customers. The proposed rates and charges were attached as Exhibit A to the Application.

In addition, Synergy seeks to establish sewer service connection and plant capacity fee based upon a charge of \$500.00 per Single Family Equivalent ("SFE"), a reconnection charge in cases where service has been disconnected for any reason set forth in Commission Rule R.103-532.4, a tampering charge for the event where the Applicant's equipment pipes and other facilities have been damaged or tampered with by a customer. In addition, Synergy seeks to increase the delinquent notification fee, to establish a customer initiation fee, to conform the return check fee to the maximum permitted S.C. Code Ann Section 34-11-70, to establish a service fee for non-routine, non-emergency service performed for the customer on the customer's side of the connection and to establish a provision for control of fats, oil and grease.

Per the Company's Application, Synergy requested an increase of \$232,590 in revenue.

B. RATE MAKING METHODOLOGY AND JURISDICTION

Generally, the Commission has wide latitude to determine an appropriate rate-setting

methodology. Heater of Seabrook, Inc. v. Public Service Comm'n, 324 S.C. 56, 478 S.E.2d 826 (1996). In the present case, Synergy has chosen to request that the Commission determine the reasonableness of its proposed rates in accordance with the operating margin methodology. There was no evidence presented by any parties supporting the use of any other rate making methodology. Accordingly, the Commission will utilize the operating margin methodology in setting Synergy's rates in this case.

The Commission has the statutory mandate under S.C. Code Ann. §58-5-210 to fix just and reasonable standards and, therefore, just and reasonable rates.

The Company is a public utility subject to the jurisdiction of the Commission pursuant to S.C. Code Ann. §§ 58-3-140(A) and 58-5-210. The Commission requires the use of an historic twelve-month test period under S.C. Code Ann. Regs. 103-823.A(3). These findings of fact and conclusions of law are informational, procedural and jurisdictional in nature and are not contested by any party of record in this proceeding.

C. TEST YEAR

The test year is established to provide a basis for making the most accurate forecast of the utility's rate base, reserves, and expenses in the near future when the prescribed rates are in effect. Porter v. South Carolina Pub. Serv. Comm'n, 328 S.C. 222, 493 S.E.2d 92 (1997). The historical test year may be used as long as adjustments are made for any known and measurable out-of-period changes in expenses, revenues, and investments. *Id.* Synergy's financial statements in this case used a test year ending June 30 2017. ORS utilized the same test year in conducting its examination. Given that this test year ended within five months of the filing of Synergy's Application, and since no other test year was proposed, the test year ending June 30, 2017, is appropriate and will be used in this case.

D. EXCESS FEDERAL INCOME TAX COLLECTED

Synergy reported per book test-year revenues of \$1,303,248 in its Application. ORS calculated Synergy's total operating revenues as \$1,340,075 after accounting and pro forma adjustments. These adjustments included ORS's annualization of sewer service revenue for the test year, uncollectible accounts, and the amortization of excess income tax collected by the utility since the implementation of the Federal Tax Cuts and Jobs Act on January 1, 2018. The funds at issue have been collected by Synergy from its ratepayers in order to pay a federal tax obligation of 35%. As the maximum federal tax rate was reduced to 21% effective January 1, 2018, some of the taxes collected by the utility from its ratepayers will never be paid to the federal government. As shown in ORS Revised Surrebuttal Exhibit MPS-6 of ORS Witness Schellinger, ORS calculated \$33,975 of revenue attributed to the federal income tax change generated from January 1, 2018 through the expected date of the Commission Order in this case of May 31, 2018. ORS recommended that the Company be ordered to place this amount into a regulatory liability account and amortized over three years. (Schellinger Dir., p. 11, ll. 10 – 19)

Synergy objected to ORS's position to adjust revenues and rate base for the impact of the Federal Tax Cuts and Jobs Act from January 1, 2018 to May 31, 2018. Synergy Witness Parnell asserts that returning this excess income tax to ratepayers constitutes retroactive ratemaking. (Parnell Reb., p. 3, ll. 3 – 13)

The ORS argues that the recovery of the funds in question constitutes an extraordinary event and thus a permissible adjustment. Porter v. South Carolina PSC, 328 S.C. 222, 231, 493 S.E.2d 92, 97 (1997). However, by requesting the Commission to credit past income tax expense reductions going forward, the ORS is also asking the Commission to engage in retroactive ratemaking. The South Carolina Supreme Court has ruled that, except in narrowly

defined statutory circumstances, the Commission's ratemaking powers are prospective only. In S.C. Elec. & Gas Co. v. Pub. Serv. Com., the Commission ordered the utility to refund over seven million dollars to its customers resulting from net profits from the interchange of power during the first six months of 1976 and 1977. S.C. Elec. & Gas Co. v. Pub. Serv. Com., at 488. The Supreme Court reversed, holding that the refund order constituted unlawful retroactive ratemaking. The Supreme Court held that the Commission did not have the authority to order the refunds:

Our legislature has empowered the Commission to prescribe refunds in only two specific instances. Pursuant to Code § 58-27-880, it may order a refund for the difference between new rates under bond and those ultimately found to be just and reasonable by the Commission. Additionally, the Commission may order a reparation for a past charge in excess of the applicable rate under Code § 58-27-960. Neither of those situations is present here. *Id* at 490.

The SCE&G case is directly applicable to the present circumstances. The effects of the Tax Cut and Jobs Act do not qualify for the exception to the rule against retroactive ratemaking allowing certain adjustments for extraordinary expenses. The Supreme Court has defined an "extraordinary expense" as "one that is unanticipated and non-recurring". Porter, 328 S.C. at 231. Even if unanticipated, the Tax Cut and Jobs Act's effects are certainly recurring. The Commission does not have the authority to adjust rates based on the reduction of a single item of expense, even if unexpected, without establishing the total cost of providing service.

While a customer credit proposed by the ORS might have some popular appeal, the ORS has offered no factual or legal justification for the adjustment. The effects of the income tax reduction have already been factored into the Company's future revenue requirement by agreement of the parties. To subtract an additional \$33,975 from the Company's revenue requirement for past tax reductions would artificially reduce its operating revenue and could

cause it to require another rate case even sooner. The Commission denies the ORS's recommended adjustment for the reduction in the Company's income tax rate.

E. MERGER EXPENSES

Synergy incurred costs to accomplish the merger and proposes to treat the merger costs as a regulatory asset that will provide future benefits to the ratepayers. The ORS proposes to disallow the merger costs. (Schellinger Surreb., p. 3, l. 6 – p. 4, l. 17) As of April 9, 2018, merger-related costs totaled \$51,062. Synergy requests that these costs be recoverable through a three year amortization period. (Parnell Reb., p. 3, ll. 14 – 20)

For instance, Synergy incurred approximately \$10,000 in legal expenses by its real estate attorney who closed the real and personal property transfer from DSI and Midlands to Synergy. For this fee, the real estate attorney was able to close a line of credit which enabled Synergy to purchase a letter of credit which serves as its performance bond of the merged entity. (Parnell Reb., p. 5, ll. 1 – 8)

Nevertheless, ORS mistakenly suggests that that the merger did not result in any benefits to ratepayers. Mr. Schellinger testified that the ORS could not calculate any reduction in costs and that the benefits, if any, accrued to Synergy's corporate partners. In addition, the test year records reflect that Synergy kept two sets of books, one for each partner. (Schellinger Surreb., p. 3, l. 12 -p. 4, l. 9)

Mr. Schellinger testified that with respect to the real estate attorney's fees, these costs were incurred for the transfer of certain non-utility assets from DSI and Midlands to Synergy and thus their costs should not be borne by the ratepayers. (Schellinger Surreb., p. 4, ll. 10 – 19)

Mr. Parnell counters that since the merger was not complete until September 2017, after the close of the test year June 30, 2017, Synergy was required to maintain the books and records

for DSI and Midlands separately. When questioned concerning the accuracy of his testimony, Mr. Schellinger admitted on cross examination that he was mistaken when he testified that the attorney's fees were incurred for the transfer of the non-utility assets to Synergy; the non-utility assets were not transferred at all but remain titled to Midlands which no longer operates as a wastewater utility. (Tr. p., E 3, l. 8 – E 8, l. 6)

Mr. Parnell testified that at the urging of the Commission, Synergy Utilities, LP consolidated the utility operations of Midlands and DSI. The merger will benefit the rate payers in that Synergy will realize lower expenses from economies of scale, one performance bond requirement, and, most importantly, decreased future rate case expenditures. Mr. Parnell has been working to merge DSI, Midlands and the former Bush River Utilities since 2008. (Parnell Reb., p. 3, l. 21 – p. 4, l. 15) In Order No. 2008-328 approving the merger of DSI and Bush River Utilities, this Commission held, that the benefits to result from service integration, reduced overhead, and administrative costs, and other sources would cause the surviving DSI to continue to provide high quality and fair cost sewer utility services to all customers in the territories served.

Mr. Parnell testified that the Bush River/DSI merger benefited customers of both utilities. For instance, the former Bush River Utilities customers no longer have to bear the entire burden of regulatory expenses. In addition, after the merger, DSI alone was required to provide a performance bond. Mr. Parnell testified that the two companies have enjoyed other economies of scale. The former customers of DSI and Midlands will enjoy the same benefits. The Synergy merger was, as found by this Commission in Order No. 2017-49, in the public interest. (Parnell Reb., p. 4, ll. 17 – 30) In Order No. 2017-49 the Commission found:

The establishment of Synergy resulting from the transfer of utility assets from DSI and MUI described herein is in the public interest. DSI and MUI customers will benefit from centralized operations, which will provide increased efficiencies for the company in dealing with vendors, contractors, and regulatory bodies.

The Synergy merger expenses have benefited and will continue to benefit both the ratepayers and Company. The Commission recognizes that public utilities incur legal costs, both for corporate governance and for regulatory compliance. Public policy should encourage public utilities to comply with both corporate and regulatory law. The merger costs are justified and are to be allowed in this docket.

F. RATE FOR SLUDGE DISPOSAL SERVICE

According to Mr. Parnell, Synergy provides sludge hauling and sludge disposal services for several public and private entities in the Midlands such as the Town of Ridgeway and Water Systems, Inc. (Parnell Reb., p. 2, ll. 3 – 9) The ORS proposes that Synergy be required to establish a tariff rate for sludge disposal services or seek Commission approval of sludge disposal contracts. (Schellinger Surreb., p. 2, l. 4 – p. 3, l. 5) Mr. Parnell testified that Synergy does not provide this service to its retail customers. Further, Mr. Parnell testified that Synergy's rate for service is set by the market and its retail customers benefit from the additional revenues. (Parnell Reb., p. 2, ll. 3 – 9) Requiring Synergy to set a tariff rate is not in its ratepayers' interest. The sludge disposal service is not a regulated activity. Moreover, the ratepayers benefit from the utility being able to charge the market rate to these public and private entities. Requiring a tariff rate or requiring Synergy to provide Commission approval prior to each service tends to deprive Synergy of the market rate and deprives its ratepayers of the benefits of maximizing revenues. The Commission will not require Synergy to establish a tariff rate for sludge disposal or require Synergy to seek Commission approval of the sludge disposal contracts.

G. CIAC

Mr. Parnell testified that the Company proposes gross-up cash service availability charges and property contributions in aid of construction in order to recover the federal and state corporate

income taxes associated with those contributions. Using the 5.00% South Carolina State tax rate and 21.00% Federal tax rate would result in \$33.24 in taxes to be paid for every \$100.00 of CIAC. Synergy's sewer connection fee is \$500.00 per SFE. Thus, the impact of Tax Cut and Jobs Act of 2017 on CIAC will require payment of \$166.20 per SFE at the time of connection. Synergy believes that this cost should be borne by the customer responsible for the cost. Synergy proposes to require its customers who connect to its water and sewer system to pay these costs in addition to the sewer connection fee. (Parnell Reb. P. 2, l. 17 – p. 3, l. 2) The ORS did not object to Synergy's proposal which the Commission will authorize.

H. RATE CASE EXPENSES

Synergy proposed to include rate case expenses incurred in this rate case through April 19, 2018, which ORS has accepted as appropriate, amortized over three years. Synergy further proposed that additional rate case expense incurred through the date of hearing in this matter be included and ORS agreed to this proposal, subject to its review of the requested additional amount and examination of supporting documentation. ORS has now advised the Commission that it received and reviewed the documentation supporting the additional rate case expenses requested by Synergy and agrees with them. Because the additional rate case expenses are known and measurable, the Commission will allow them to be included in the total rate case expense and amortized over three years. We find the Company is entitled to \$ 135,982 total rate case expenses, including \$15,856 submitted to ORS post-hearing. This amount 1 3 5 amortized over 3 years less the Company's per book amount yields a post hearing adjustment of \$11,010.

I. TOTAL INCOME FOR RETURN

Based upon the above determinations concerning the accounting and *pro forma*

adjustments, and Synergy's revenues and expenses, the as adjusted total income for return is \$81,389, calculated as follows:

Operating Revenues	\$1,328,750
Operating Expenses	\$1,251,739
Net Operating Income	\$ 77,011
Customer Growth	\$ 4,378
Total Income for Return (Before Interest)	\$ 81,389

J. OPERATING MARGIN

Based upon Synergy's gross revenues for the test year, after accounting and *pro forma* adjustments under the presently approved schedules, Synergy's operating expenses for the test year after accounting and *pro forma* adjustments, and customer growth, Synergy's present operating margin is as follows:

BEFORE RATE INCREASE

Operating Revenues	\$1,328,750
Operating Expenses	\$1,251,739
Net Operating Income	\$ 77,011
Add: Customer Growth	\$ 4,378
Less: Interest Expense	\$ 52,239
Total Income for Return	\$ 29,150
Operating Margin (After Interest Expense of \$52,239)	2.19%

This operating margin is below the 8.91% which resulted from the rates proposed

based on revenues and expenses contained in the Company's Application and the 14.42% recommended by ORS. The Commission determines that synergy should have the opportunity to earn an additional \$211,752 in annual operating revenues, which results in an operating margin of 11.90%. The operating margin is calculated as follows:

AFTER RATE INCREASE

Operating Revenues	\$1,540,502
Operating Expenses	\$1,306,064
Net Operating Income	\$ 234,438
Add: Customer Growth	\$ 1,177
Less: Interest Expense	\$ 52,239
Total Income for Return	\$ 183,376
Operating Margin (After Interest Expense of \$52,329)	11.90%

The Commission concludes that an increase in rates is necessary and warranted. Synergy's utility operating expenses have increased since those expenses incurred by Midlands and DSI in their most recent rate cases. It has made significant investments in used and useful plant and facilities required to meet its obligations as a public utility. The proposed rate increase is designed to generate additional revenues that will allow Synergy to recover its operating costs, preserve its financial integrity, and to increase its earnings to a more reasonable level through fair charges to the consumer.

H. CUSTOMER CONCERNS

Synergy's customers in the Northwoods Subdivision acknowledge that Mr. Parnell has met

with them to hear their concerns. Mr. Parnell and representatives of the ORS met with these customers both in Orangeburg and at the ORS to discuss their concerns. There are no alternative wastewater treatment options. Northwoods homeowners association is not prepared to take ownership of the wastewater system and neither the City nor County has come forward to acquire the system. It is not feasible to connect the wastewater system to another regional provider and it is highly unlikely that the South Carolina Department of Health and Environmental Control will permit the construction of an expensive package plant to serve this neighborhood. (Parnell Resp., p. 1, l. 5 – p. 2, L. 2)

The testimony centered around two concerns – the cost of service and maintenance of the wastewater system. Mr. Parnell testified that in 1999, Midlands interconnected with the City of Orangeburg's wastewater treatment system and subsequently, Midlands was authorized to pass through Orangeburg's treatment cost to its customers without markup. Midlands' last rate case order in 2005 authorized a recovery of a monthly collection only fee of \$23.03 for its Orangeburg customers. Midlands merged its wastewater assets into Synergy in 2017 and Synergy now serves the Orangeburg customers. In addition to the treatment charge, Orangeburg charges a service charge for each Synergy customer. (Parnell Resp., p. 2, ll. 3-14) Ms. Gwen Gillis testified in great detail about the increasing cost of her sewer service. She testified that twenty three years ago, her monthly bill was \$26.70. Ms. Gillis testified that in 2007, her bill increased to \$39.72. She explained Orangeburg's treatment charge was \$16.69. In 2014, Ms. Gillis' bill increased to \$65.34 with the treatment charge being \$21.40 and the service fee being \$17.90. Ms. Gillis testified her February 2018 bill was \$89.56, with the treatment charge being \$40.75 and the service fee being \$25.78. Hearing Exhibit No. 2 is an accurate representation of a current Orangeburg customer's bill. Of Ms. Gillis' total bill, only \$23.03 is attributable to Synergy's tariffed rate. The City of

Orangeburg has regularly increased the cost to these customers, and because Synergy's Orangeburg customers do not live within the City limits, they have no influence over the City when it comes to rates. (Parnell Resp., p. 2, ll. 20 – 24)

Mr. Parnell testified that the rates charged by Orangeburg DPU are not a true wholesale rate. The charges are basically out of town rates that DPU would charge to 100 individual accounts. Their service fee is approximately equal to wholesale rates that Synergy pays to other treatment providers with no metering. For instance, sewage collected from Synergy's VanArsdale customers are transmitted first to Lexington and ultimately to Cayce for treatment yet the combined treatment rate for VanArsdale is comparable to DPUs service fee alone. (Parnell Resp., p. 5, .l. 21 -- p. 6, l. 3)

Although it is clear from the public testimony that the City of Orangeburg has increased its rates to Synergy regularly, it is apparent that Synergy is accurately billing these customers.

Mr. Parnell testified that Synergy's Orangeburg County service territory includes the Northwoods subdivision and Melissa Terrace Street of Empire Estates subdivision. In 1999, to comply with a DHEC directive to connect to a regional provider, Midlands built a force main in excess of three miles in length to connect to the City of Orangeburg Department of Public Utilities (DPU) system. Shortly after connecting to the DPU system in 1999, Midlands undertook to raise all manholes that were buried in the system. Many of these manholes were two to three feet deep. This reduced inflow and infiltration (I/I) and allowed necessary access to the manholes and mains.

Mr. Parnell testified that shortly after completing the lagoon that formerly served the subdivision, the volume of wastewater pumped to DPU began to dramatically increase. Synergy contracted with a sewer camera crew to inspect the mains in the rear of the subdivision which revealed some significant areas of I/I. To correct the I/I, Synergy slip lined mains under several

streets and succeeded in reducing the flow. Synergy continues slip lining and using its own personnel, has completed slip lining approximately 2,900 linear feet. (Parnell Resp., p. 3, ll. 1 - 23)

After the historic flood of 2015, Synergy surveyed all the manholes repairing approximately twenty-five (25) leaking manholes. After questioning the accuracy of the DPU flow meter, to resolve the question about this back flow, Synergy installed new check valves and new pump volutes at a cost of \$2,726.64 and \$9,219.88, respectively. (Parnell Resp., p.42, ll. 1 - 10)

Mr. Parnell testified that Orangeburg DPU crews have been responsible for damage to Synergy's system and the source of I/I. Orangeburg provides the water and electricity to the Northwoods subdivision. Often, during this routine maintenance, we discover where DPU workers have damaged the sewer lines when installing or repairing the water and electric lines. To date, most of the mains that we slipped lined had damage that are attributed to DPU. (Parnell Resp., p. 4, l. 18 – p. 5, l. 3)

Ms. Williams mentioned an AECOM study of the system. Mr. Parnell testified that AECOM was hired by Orangeburg County to assess the system in 2017 when Orangeburg County was considering an acquisition of the service territory. AECOM smoke tested the entire subdivision to look for leaks etc. They found one manhole lid with a large hole. They also placed a camera in several mains and discovered a break in the line caused when the Orangeburg Department of Public Utilities ran a conduit through Synergy's main line. (Parnell Resp., p. 4, ll. 11 - 17)

Mr. Parnell testified to additional damage caused by the Orangeburg DPU. As another example, Synergy found a significant inflow from the Melissa Terrace Street. This would be one of the least likely locations to expect to have I/I problems because it is relatively new and is all

PVC pipe. Orangeburg DPU had cut a service line in the low point of the street and was basically acting as a catch basin for the entire street. (Parnell Resp., p. 5, ll. 4 - 8)

Ms. Williams testified to sewage on the ground on her property. She was apparently told by Orangeburg DPU employees that they were not responsible for the water. When it was brought to Mr. Parnell's attention, he determined that DPU employees broke the force main under Ms. Williams' property and improperly patched the force main. Orangeburg DPU never told Synergy of the break in the line and according to Mr. Parnell, improperly repaired the force main. (Parnell Resp., p. 5, ll. 9 - 13)

Mr. Parnell testified that the damage caused by Orangeburg DPU is obvious because in each instance, the damage occurred at a point on our line adjacent to a water or electric line and the damage was not of a nature that would be the result of some natural occurrence. In addition, the nature of the damage was such that the Orangeburg DPU employees would have had to have known they had damaged the lines and yet did not show the courtesy to make an adequate repair or to report the damage to Synergy for repair. (Parnell Resp., p. 5, ll. 14 - 20)

The Commission finds that Synergy has acted reasonably to maintain its sewer system in Orangeburg County and has been careful to comply with its responsibility to provide sewer service that meets the service standards required by this Commission. Moreover, Mr. Parnell has acted reasonably to explain to his customers the Company's efforts to maintain its system.

I. APPROVED RATES

Mr. Parnell testified at the hearing that Synergy accepted the rate design and rates proposed in Mr. Schellinger's direct testimony. However, the rates proposed by the ORS were based upon rate adjustments proposed by the ORS that the Commission has declined to accept. Because the revenue and expense adjustments are substantial, Synergy should be allowed the

opportunity to recover them in rates.

The Commission finds that the single tariff rate serves the interests of both the customers and the utility. Midlands had not applied for rate relief since 2005 and had incurred substantial capital costs and increased expenses since its last rate case. As a consequence, the merged entity was only earning a 2.19% operating margin. On this record, Synergy is entitled to meaningful rate relief.

Accordingly, the Commission will authorize rates in excess of those proposed by the ORS. Accepting the limitations of the rate design which will cap rates at those proposed in the application for Service Territory 1, the Commission finds the schedule of rates and charges, together with the proposed terms and conditions of service set out on Exhibit A, are just and reasonable. In accordance with the above finding conclusions, the Application of the Company and the testimony in the record of this case, the Commission approves the rates and charges contained in the attached **Exhibit A**.

III. CONCLUSION

Based upon the above considerations and reasoning, the Commission hereby approves the rates and charges as stated in this Order and attached hereto as Exhibit A as being just and reasonable.

IT IS THEREFORE ORDERED THAT:

1. The rates and charges attached on Exhibit A are approved for service rendered on or after June 1, 2018, and this rate schedule is hereby deemed to be filed with the Commission pursuant to S.C. Code Ann § 58-5-240.
2. The additional annual revenues that the Company is entitled to earn produces an operating margin of 11.90%.

3. Should the approved schedule not be placed into effect before three months after the effective date of this Order, then the approved schedule shall not be charged without written permission of the Commission.

4. Synergy shall maintain its books and records for its operations in accordance with the NARUC Uniform System of Accounts for Class B utilities, as adopted by the Commission.

5. Synergy shall continue to maintain a performance bond in the amount of \$350,000 for its wastewater operations.

This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Swain Whitfield, Chairman

ATTEST:

Randy Randall, Vice-Chairman

EXHIBIT A

Schedule of Proposed Rates and Charges
Synergy Utilities, LP
Docket No. 2017-28-S

A) Schedule of Rates for Customers Wastewater Treated by Utility's WWTFs:**Proposed****Monthly Service Charge for Treatment:****Residential**

Single-family	\$43.42
Apartments (Per Unit)	\$41.24
Mobile Home	\$32.25

Commercial

Per SFE	\$43.42
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B) Schedule of Rates for Customers Wastewater Treated by Other Treatment Providers**Proposed****Monthly Service Charge:****Residential**

Single Family	\$27.50
Apartments (Per Unit)	\$27.50
Mobile Home	\$27.50

Commercial

Per SFE	\$27.50
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Utility will also charge for treatment services provided by the government body or agency, or other entity to the affected customers on a pro rata basis, without mark up. Utility shall provide affected customers an explanation of the increase with the first bill reflecting the increase rate. Where a governmental body or agency or other entity providing treatment services also charges a service fee or similar fees, Utility will collect such fees from its affected customers for payment to the treatment services provider.

SEWER SERVICE
TERMS AND CONDITIONS
AND
NON-RECURRING CHARGES

1. In addition to the Utility's tap fees, plant expansion or modification fees, connection fees and all other fees are to be paid directly to the entity providing treatment services including Town of Lexington, Town of Winnsboro, Orangeburg Department of Public Works and Carolina Water Service, Inc.

2. The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to discharge acceptable wastewater into its sewer system. However, anyone or any entity which is willing to pay all costs associated with extending an appropriately engineered and constructed main or utility service line from its premises to an appropriate connection point on the Utility's sewer system may receive service, subject to paying the appropriate fees and charges set forth in the current rate schedule, complying with guidelines and standards hereof, and, where appropriate, agreeing to pay approved amounts for multi-tap capacity. In addition, capacity must be available from the government body or agency or other entity providing bulk service to Utility and the appropriate fees be paid to that bulk service provider.

3. Non-Recurring Charges

A. Sewer Service Connection (New connections only). The Utility's guidelines for Unit Contributory Loadings for Domestic Wastewater Treatment Facilities are incorporated herein by reference. To determine tap fees the following formula is used if the customer's Bio-Chemical Oxygen Demand (BOD) factor is greater than the BOD factor for a resident:

$$\frac{\text{Total Volume (gpd)}}{300 \text{ (gpd)}} \times \frac{\text{Unit BOD of Customer/100gal}}{0.17 \text{ lbs.}} \times \$500.00$$

If the customer's BOD factor is less than the BOD factor of an equal volume of residential waste, the following formula should be used:

$$\frac{\text{Total Volume (gpd)}}{300 \text{ (gpd)}} \times \$500.00$$

The minimum service connection fee for new customers shall be \$500.00.

B. Schedule of Rates for Plant Expansion/Modification Fees for Customers Wastewater Treated by Synergy WWTFs

Residential (Per SFE)	\$500.00
Commercial (Per SFE)	\$500.00

C. Commercial rates are determined by a single family equivalent (SFE). The Utility has determined its SFE for commercial customers as follows:

Schedule of Commercial

Rates

Service Stations

1 st Bay	1.57
Additional bay	.78
Without bay	1.09

Food Service Operations

Ordinary/seat (not 24 hrs)	.16
24 Hour Restaurant/seat	.23
Drive-In/car space	.16
FastFood/car space	.16
Vending Machine	.093

Churches

Church per seat, <132 seats	1.0
Church/seat, >132 seats	.0075

Car Washes

Car Wash (per car)	.158
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Offices

Per person/no restaurant	.039
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Nursing/Rest Homes

Per Bed (no laundry)	.132
Per Bed (with laundry)	.156

Schools

Per student, no showers, Gym, cafeteria	.03
Per student, w/cafeteria, no gym, showers	.04
Per student, with cafeteria, Gym, showers	.047

Shopping Centers Per 1,000 sq. ft. space	.31
Swimming Pools	
Per person with facilities	.031
Theaters	
Indoor/seat	.017
Drive-In/Stall	.017
Picnic Parks	
Average attendance	.047
Institutions	
Per resident	.132
Laundries	
Self Serve (per machine)	.53
Mobile Homes	
Per person	.132
Motels	
Per unit (no restaurant)	.132
Factories	
Each employee no showers	.047
Each employee w/ showers	.062
Each employee w/ kitchen facilities	.077
Minimum Commercial Charge	
Per SFE	\$43.42

D. **Reconnection Charges:** In addition to any other charges that may be due, in those cases where a customer's service has been disconnected for any reason as set forth in Commission Rule R. 103-532.4 a reconnection fee in the amount of \$500.00 shall be due at the time the customer reconnects service. Where an elder valve or other similar device has been previously installed, a reconnection fee of \$70.00 shall be charged.

E. **Tampering Charge:** In the event the Utility's equipment, sewage pipes, curb stops, service lines, elder valves or other facilities have been damaged or tampered with by a customer, the Utility may charge the customer responsible for the damage the actual cost of repairing the Utility's equipment, not to exceed \$250. The tampering charge shall be paid in full prior to the Utility re-establishing service or continuing the provision of service. This provision shall not prevent the Utility from using other legal methods in seeking recovery of damages from tampering.

F. Where the Applicant's bulk treatment providers charge an analytical testing fee on the Applicant, the costs of the analytical testing fee will be passed through to the Applicant's affected customers benefiting from the treatment. The pass-through costs shall be on a pro rata basis without markup.

G. Delinquent Notification Fee: A fee of \$20.00 shall be charged each customer to whom the Company mails a notice of discontinuance of service as required by the Commission rules prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notice to the customer creating the cost.

H. Customer Initiation Fee: A one-time fee of \$30.00 will be charged to each new account to defray costs of initiating service.

I. Return Check Fee: When a check is returned from the bank for Non-sufficient Funds, a fee equal to the maximum amount permitted by S.C. Code Ann. Section 34-11-70 will be charged.

J. Service Fee: A minimum service fee of \$75.00 shall be charged by the Company for non-routine, non-emergency service performed for the customer on the customer's side of the connection during the hours of 8:30 AM to 5:00 PM. A minimum service fee of \$150.00 will be charged for this service from 5:00 PM to 8:30 AM. Utility will charge \$75.00 per hour for each additional hour required for work on the customer's side of the connection.

K. Provision for control of fats, oils and grease.

1. General

Any industrial, commercial or nonresidential facility connected to the sanitary sewer collection and treatment system involved in the preparation or serving of foods and other establishments with the potential to discharge fats, oils and greases will be subject to the conditions of this section.

The purpose of this section is to aid in the prevention of sanitary sewer blockages and obstructions from contributions and accumulation of fats, oils, and greases into the sanitary sewer system from industrial or commercial establishments, particularly food preparation and serving facilities.

In addition to the control of fats, oils, and grease each user shall take appropriate steps to prevent the discharge of petroleum oil, non-biodegradable cutting oil, or products of mineral oil origin, including, but not limited to fuel oil; sludge; oil refuse; oil mixed with wastes other than dredged spoil; fats, oils or

greases of animal, fish, or marine mammal origin; vegetable oils, including oil from seeds, nuts, fruits, or kernels; and other oils and greases, including synthetic oils and mineral oils in amounts that will cause interference or pass-through of the sewer collection and/or treatment systems.

2. Definitions

Fats, oils, and greases: Organic polar compounds derived from animal and/or plant sources that contain multiple carbon chain triglyceride molecules. These substances are detectable and measurable using analytical test procedures established in the United States Code of Federal Regulations 40 CFR 136, as may be amended from time to time. All are sometimes referred to herein as grease or greases.

Food service establishments: Those industrial, commercial or nonresidential establishments primarily engaged in activities of preparing, serving, or otherwise making food available for consumption by the public, such as restaurants, bars, commercial kitchens, caterers, motels, hotels, schools, hospitals, cafeterias, prisons, correctional facilities, and residential health care institutions. These establishments use one or more of the following preparation activities: cooking by frying (all methods), baking (all methods), grilling, sautéing, rotisserie cooking, broiling (all methods), boiling, blanching, roasting, toasting, or poaching. Also included are infrared heating, searing, barbecuing, and any other food preparation activity that produces a hot, non-drinkable food product in or on a receptacle that requires washing. Those permanent facilities required to have a South Carolina Department of Health and Environmental Control food service license shall normally be included.

Grease interceptor: A structure or device designed for the purpose of removing and preventing fats, oils, and greases from entering the sanitary sewer collection system. These devices are often below-ground units in outside areas and are built as two- or three- chambered baffled tanks.

Grease trap: A device for separating and retaining waterborne greases and grease complexes prior to the wastewater exiting the trap and entering the sanitary sewer collection and treatment system. Such traps are typically compact under-the-sink units that are near food preparation areas.

Minimum design capability: The design features of a grease interceptor and its ability or volume required to effectively intercept and retain greases from grease-laden wastewaters discharged to the public sanitary sewer. All systems shall be designed such that no more than one hundred (100) milligrams per liter of fats, oils, and/or grease shall be discharged to the public sewer system at any time.

Neutralizing Device: A tank or manufactured device installed to dilute or neutralize acids or corrosive liquids prior to discharge into collector lines. Such

devices shall be automatically provided with a sufficient intake of diluting water or neutralizing medium, so as to make its contents non-injurious before being discharged into the collection system.

Oil separator: A device which serves to trap and retain oils or flammable liquid to prohibit the introduction into the sewer system by accident or otherwise.

Sand separator: A device which is designed to trap sand and other solids and prohibit entry into the sewer system and may operate in conjunction with or as a component of a grease interceptor or oil separator.

SCDHEC: South Carolina Department of Health and Environmental Control

Synergy: Synergy Utilities, LP

User: Any person, who contributes, causes or permits the contribution or discharge of wastewater into a treatment works, including persons who contribute such wastewater from mobile sources, such as those who discharge hauled wastewater.

3. Wastewater discharge limitations.

In addition to those items referenced in Section K.1 generally, no user shall allow wastewater discharge from subject grease interceptor, grease trap, or alternative pretreatment technology to exceed one hundred (100) milligrams per liter of fats, oil and grease as measured by methods provided in 40 CFR 136.

4. Food service establishment permit requirement.

All food service and other establishments with the potential of discharging wastewater containing fats, oils and grease to the Synergy sanitary sewer collection systems are subject to the following requirements:

a. Grease interceptor requirements: All food service and related establishments are required to install, operate, and maintain an approved type and adequately-sized grease interceptor necessary to maintain compliance with the objectives of the ordinance and related regulations. All grease interceptors must meet the requirements of the Synergy standards in addition to the latest addition of the International Plumbing Code as adopted by the South Carolina Building Codes Council.

b. Implementation: All new service establishment facilities are subject to grease interceptor requirements. All such facilities must obtain prior approval from Synergy for grease interceptor design and sizing prior to submitting plans

for a building permit. The grease interceptor must provide for a minimum hydraulic retention time of twenty four (24) minutes at actual peak flow or twelve (12) minutes at the calculated theoretical peak flow rate as predicted by the International Plumbing Code fixture criteria, between the influent and effluent baffles with twenty (20) percent of the total volume of the grease interceptor being allowed for sludge to settle and accumulate, identified hereafter as the sludge pocket.

Existing facilities with planned modification in plumbing improvements or not in accordance with Synergy standards will be required to provide plans to comply with the grease interceptor requirements. All existing food service establishments, determined by Synergy to have a reasonable potential to adversely impact Synergy's sewer systems will be notified of their obligation and provided with a compliance schedule to install a grease interceptor and related appurtenances.

c. Construction and location criteria for grease Interceptors: The construction and location criteria for grease Interceptors shall be in accordance with Environmental Protection Agency (EPA) Guidance Document, "On site Wastewater Treatment and Disposal Systems," Chapter 8.

d. Grease interceptor and/or grease trap inspection: Prior to placing the grease interceptor and/or grease trap into operation the owner of the establishment shall request an inspection and shall be approved by Synergy.

e. Variance to install a grease trap in lieu of grease interceptor: Grease interceptors required under this provision shall be installed unless Synergy authorizes the installation of an indoor grease trap or other alternative pretreatment technology and determines that the installation of a grease interceptor would not be feasible. The food service establishment bears the burden of demonstrating that the installation of a grease Interceptor is not feasible. If an establishment desires, because of documented space constraints, an alternative to an out-of-building grease interceptor, the request for an alternative grease trap or location shall contain the following information. In addition to general information the following information must be provided by the food service establishment:

i. Location of Synergy sewer main and easement in relation to available exterior space outside building.

ii. A schematic or plan of existing plumbing at or in a site that uses common plumbing for all services at that site.

iii. Specific manufacturer literature on the proposed system.

iv. Inability to pay for the required modifications shall not be deemed an acceptable reason for non-compliance.

5. Grease interceptor design requirements.

a. Grease interceptor sizing and installation must be approved by Synergy. The grease interceptor must provide for a minimum hydraulic retention time of twenty-four (24) minutes at actual peak flow or twelve (12) minutes at the calculated theoretical peak flow rate as predicted by the International Plumbing Code fixture criteria, between the influent and effluent baffles with twenty (20) percent of the total volume of the grease interceptor being allowed for sludge to settle and accumulate, identified hereafter as the sludge pocket. No interceptor total volume shall be less than 1000 gallons. The grease interceptor shall have a minimum of two (2) compartments with fittings designed for grease retention.

b. Grease interceptors shall be installed at a location where they shall be easily accessible for inspection, cleaning, and removal of intercepted grease. The grease interceptor may not be installed in any part of the building where food is handled. Location of the grease interceptor must meet the approval of Synergy, and may require approval of SCDHEC.

c. All grease Interceptors, whether singular or in series, must be directly accessible from the surface and must be fitted with an extended outlet sanitary tee that terminates 6" to 12" above the tank floor. The minimum access opening dimensions shall be 18" x 18" or a minimum of 24" in diameter. Two (2) access openings (inlet and outlet) to underground traps are required and should be removable with ease by one person.

See typical detail for 1,000 gallon capacity trap attached at Exhibit A in the detail section.

d. All below ground grease Interceptors must either be two-chambered or individual tanks in series. If two-chambered, the dividing wall must be equipped with an extended elbow or sanitary tee terminating 6" to 12" above the tank floor. An extended outlet sanitary tee must also be provided at the outlet of the second chamber. Both chambers must be directly accessible from the surface.

6. Grease interceptor Operation & Maintenance requirements.

a. All such grease interceptors shall be serviced and emptied of accumulated waste content as required in order to maintain minimum design capacity or effective volume. These devices should be inspected at least monthly. Users who are required to maintain a grease interceptor shall:

i. Maintenance of grease traps/interceptors must include thorough pump-out and/or cleaning as needed by removing any accumulated grease cap and sludge pocket as often as necessary, up to and including daily, but at intervals of not longer than ninety (90) days at the user's expense. Grease interceptors shall be kept free of inorganic solid materials such as grit, rocks, gravel, sand, eating utensils, cigarettes, shells, towels, rags,

etc., which could settle into this pocket and thereby reduce the effective volume of the grease interceptor.

ii. If any skimmed or pumped wastes or other materials removed from a grease interceptor are treated in any fashion on site and reintroduced back into the grease interceptor as an activity of and after said on-site treatment, the user shall be responsible for the attainment of the established grease numerical limit of one hundred (100) milligrams per liter on all discharges of wastewater from said grease interceptor into Synergy sanitary sewer collection and treatment system.

iii. Operate the grease interceptor in a manner so as to maintain said device such that attainment of the grease limit is consistently achieved. Consistent shall mean any wastewater sample taken from the effluent of said grease interceptor shall be equal to or less than the limit stated in Section K.3 Wastewater discharge limitations.

iv. The use of biological or enzyme additives as a grease degradation agent is conditionally permissible, upon written approval by Synergy. Any establishment using this method of grease abatement shall maintain the trap or interceptor in such a manner that attainment of the grease wastewater discharge limit, as measured from the trap's outlet, is consistently achieved. Upon determination that any such products has caused interference with Synergy's collection and/or treatment systems the User shall be notified to immediately discontinue the use of any such products.

v. The use of automatic grease removal systems is conditionally permissible, upon prior written approval by Synergy. Any establishment using this equipment shall operate the system in such a manner that attainment of the grease wastewater discharge limit, as measured from the unit's outlet, is consistently achieved.

vi. Synergy reserves the right to make determinations of the grease interceptor adequacy and need, based on review of all relevant information regarding grease interceptor performance, facility site and building plan review and to require repairs to, or modification or replacement of such units.

vii. In no case shall the total accumulation of grease, oil, floating materials, and sediment be allowed to occupy more than twenty-five percent (25%) of the capacity of the first stage of the grease interceptor.

viii. If sampling test results for an establishment are more than twenty-five percent (25%) of the wastewater discharge limit, and the establishment does not have an approved extension to its cleaning schedule, the establishment shall immediately clean and inspect the trap and will be required to clean its grease interceptor(s) at an interval of thirty (30) days or less, for a period of time to be determined by Synergy.

b. The user shall maintain a written record of trap maintenance for a minimum of three (3) years. All such records will be available for inspection by Synergy at all reasonable times. Synergy may require the submittal of any maintenance contracts,

hauling manifests, and cleaning records. Records shall include at a minimum the date of service, estimated volume removed, person and/or company performing the service, and the means and location of disposal. Synergy reserves the right to observe any and all cleaning and maintenance activities whether performed by the User or a contracted operator.

c. Non grease-laden sources are not allowed to be connected to the sewer lines intended for grease interceptor service.

d. Access manholes, with a minimum diameter of twenty-four (24) inches, shall be provided over each chamber and sanitary tee. The access manholes shall extend at least to finished grade and be designed and maintained to prevent water inflow or infiltration. The manholes shall also have readily removable covers to facilitate inspection grease removal, and wastewater sampling activities.

7. Grease trap requirements.

a. Upon approval by Synergy, a grease trap complying with the provisions of this section may be installed instead of a grease interceptor. The grease trap must be installed in the waste line leading from sinks, drains, and other fixtures or equipment in food service establishments where grease may be introduced into drainage or sewage system in quantities that can affect line stoppages or hinder sewage treatment or private sewage disposal.

b. Grease trap sizing and installation must be approved by Synergy.

c. No grease trap shall be installed which has a stated flow rate of more than fifty-five (55) gallons per minute except when specifically approved by Synergy.

d. Grease traps shall be maintained in efficient operating conditions by periodic removal of the accumulated grease. No such collected grease shall be introduced into any drainage piping or public sewer and shall be properly disposed or recycled in accordance with acceptable practices and all environmental regulations.

e. No food waste disposal unit or dishwasher shall be connected to or discharge into a grease trap.

f. Wastewater in excess of one hundred-forty degrees Fahrenheit (140° F)/ sixty degrees Celsius (60° C) shall not be discharged into a grease trap.

8. Requests for cleaning schedule extension.

A food service establishment may apply to Synergy for an extension of the required cleaning frequency set forth in the ordinance. The representative of the food

service establishment who wishes to apply for the cleaning schedule extension shall notify Synergy in advance of the intent to apply for the extension. Synergy may grant an extension on a required cleaning frequency on a case-by-case basis where the User has demonstrated, with defensible analytical results, the specific grease interceptor or grease trap will produce an effluent in consistent compliance with the ordinance if such an extension is granted.

The notification of intent to apply for an extension shall include:

a. Facility information:

- i. The name and address of the facility;
- ii. Name and telephone number of the facility contact;
- iii. Normal business hours; and
- iv. The type of business;

b. Treatment unit information:

- i. The type of treatment unit and the capacity in gallons;
- ii. A brief description of the treatment unit;
- iii. The time(s) of day the greatest hydraulic and organic loadings to the treatment unit normally occur;
- iv. The date of the most recent leaning and inspection of the unit;
- v. A statement of the physical condition of the unit; and
- vi. Where applicable, the name of any treatment products used.

c. A proposed sampling schedule, including:

- i. The date(s) the User proposes to collect the samples;
- ii. The times each sample will be collected;
- iii. The name and telephone number of the person who will collect the samples, including qualifications; and
- iv. The name and telephone number of the laboratory which will analyze the samples and its SCDHEC laboratory identification number;

d. Other information as may be requested by Synergy.

The User shall obtain approval of the proposed sampling schedule prior to initiation of the sampling and analyses. The User shall certify the sampling schedule will be carried out as submitted or as approved. Synergy shall reserve the right to modify a sampling schedule as deemed necessary. The User shall be required to provide analytical results for not less than three (3) oil and grease analyses for samples collected during peak flow periods through the unit during the normal working hours of a twenty-four (24) hour period.

i. Samples shall be collected at an approved sampling port and shall be collected by a qualified person properly trained in the collection and handling of wastewater samples.

ii. Samples shall be 45-60 days after the most recent cleaning.

iii. Samples shall be analyzed, separately, by a reputable laboratory approved by SCDHEC using approved analytical procedures.

iv. The User shall submit a written request for a cleaning schedule extension, including:

v. A copy of the cleaning and maintenance records for the treatment unit for the previous twelve months;

vi. A copy of the laboratory analytical reports, including quality control data and appropriate chains of custody;

vii. Incomplete or unverifiable results shall not be considered.

e. Synergy may grant extensions to the cleaning schedule as follows:

i. A thirty (30) day extension may be granted where the average oil and grease concentration of the analyses is less than 66% of the concentration limit and no single concentration exceeded 70% of the concentration limit.

ii. A sixty (60) day extension may be granted where the average oil and grease concentration of the analyses is less than 50% of the concentration limit and no single concentration exceeded 60% of the concentration limit.

iii. A ninety (90) day extension may be granted where the average oil and grease concentration of the analyses is less than 33% of the concentration limit and no single concentration exceeds 50% of the concentration limit.

iv. In no case shall an extension greater than ninety (90) days be granted. Extensions granted shall begin on the date the samples for which results were submitted were collected as documented on the chain of custody. Where an extension has been granted, the unit shall consistently produce an effluent in compliance with the terms of this or other applicable Ordinance. Synergy shall reserve the right to collect and analyze samples of any User's discharge and may revoke, without notice, any extension where Synergy believes it is in the best interest of the proper protection and operation of its collection and treatment systems.

v. Where an extension has been granted and any sample analysis indicates an exceedance of the oil and grease limitation by twenty-five (25%) percent or more, the User shall immediately clean and inspect the trap and shall return to the original cleaning schedule. Where the User has been required to return to an original cleaning frequency, the User shall be required to submit a new request for extension if desired.

vi. Where an extension has been granted and any sample analysis indicates an exceedance of the oil and grease limitation of any magnitude by less than 25%, the User shall immediately clean and inspect the trap and shall decrease the maximum time between cleanings by at least thirty (30) days.

vii. Where an extension has been granted and Synergy must clean associated public sewer lines and the stoppage is traceable to or known or suspected to be caused by the User's facility, the User shall immediately clean and inspect the trap and shall return to the original cleaning schedule. The User will be required to submit a new request for extension if desired.

9. Failure to comply.

Any person, establishment or entity which fails to comply with any of the requirements set forth in this section, including, but not limited to, cleaning grease interceptors or grease traps at necessary intervals, providing up-to-date cleaning logs, or which refuses to open grease interceptors or grease traps for inspections by Synergy inspectors or exceeds discharge limits, is subject to termination of service after ten (10) days' written notice of termination to the person, establishment or entity which fails to comply with these requirements. Notice termination may be delivered by personal service, posting of the notice of termination conspicuously at the service location or by mail with copies to the appropriate county health department and the Office of Regulatory Staff ("ORS"). After the physical disconnection of any sewerage service, the Division of Environmental Health of the South Carolina Department of Health and Environment Control and the ORS shall immediately be notified of the disconnection.

Any person, establishment or entity that fails to comply with any of the requirements set forth in these provision for control of fats, oils and grease shall not be reconnected to Synergy's treatment system until such time as they comply with these provisions. Any person,

establishment or entity that by their failure to comply with these provisions for control of fats, oils and grease causes damage to Synergy's treatment system, shall be liable to Synergy for the cost of repair of any such damage.